

# Chapter Twelve: Disability Benefits

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## Types of disability benefits available

TRS offers three types of disability benefits: occupational disability benefits, nonoccupational disability benefits, and a disability retirement annuity. Occupational disability benefits are paid solely for work-related disabilities.

## Service credit

Members continue to accrue service credit while receiving nonoccupational or occupational disability benefits. No service credit is earned while a member is receiving a disability retirement annuity.

When a member teaches a partial school year and receives disability benefits for a partial school year, one full year of service credit is earned when the member receives earnings from teaching and disability benefits for a total of 170 days during the school term or employment agreement if longer.

Members do not need to resign to become eligible for disability benefits. An employer may grant a disabled member a leave of absence during this period.

## Employment

Members receiving nonoccupational or occupational disability benefits may not teach in any capacity or be gainfully employed. Members receiving a disability retirement annuity are prohibited from teaching in any capacity but may be gainfully employed within certain limits.

“Gainful” employment is defined as employment that results in gross compensation for personal services, including fees, wages, salary and commissions, which exceeds \$833 in any month or \$10,000 in any year.

## Medical examinations

Two state-licensed physicians must substantiate the disability by completing Physician’s Certification of Disability forms, certifying that the member is disabled and unable to properly perform the duties of his or her position. If the disability is due to pregnancy, only one physician is required to certify the disability claim.

A licensed physician is any individual licensed by the state in which he or she practices as a medical doctor. All licensed physicians must submit their license number on all reports to TRS.

To substantiate a member’s continued eligibility for disability benefits, TRS may require additional medical examinations and request medical records, Department of Employment Security earnings statements, Social Security benefit payment information, income tax records, or other pertinent information. The frequency of re-examination is governed by individual circumstances; however, a member receiving nonoccupational disability or occupational disability benefits must have medical examinations at least once a year.

When a member’s time period for nonoccupational disability expires, the member may be eligible for a disability retirement annuity. At this point the member must submit to medical examinations, unless he or she has been examined within the last six months and a continuing disability has been substantiated.



TRS may require an independent medical examination in addition to those undergone by the member to substantiate the disability. This may occur when the previous medical examinations were inadequate, when there is a question regarding the independent judgement of the physician, or when the form has been completed improperly. TRS will cover the cost of an independent medical examination.

Failure to submit to a medical examination or provide information as requested will result in suspension of benefits.

Members are responsible for notifying TRS when they are able to return to teaching.

## **Nonoccupational disability benefits**

### **Eligibility**

A member who is a full-time teacher must have three years of service credit, have become disabled while teaching (or within 90 days of teaching), and use all accumulated sick time to qualify for nonoccupational disability benefits (regardless of whether these days are actually paid). The member may be disqualified from receiving disability benefits if he or she is receiving unemployment benefits.

Part-time and substitute teachers are eligible if they have three years of service credit and have worked as a teacher for at least 340 hours in either the school year in which the disability occurs or the preceding school year. The disability must have occurred within 90 days of the member's last day of teaching.

Service credit under the State Employees' Retirement System of Illinois, the State Universities Retirement System, and the Illinois Municipal Retirement Fund counts toward the member's eligibility for a disability benefit and the total period during which the disability benefit is payable unless such service is concurrent with the member's TRS service.

### **Application procedures**

Approximately three weeks before the member's accumulated sick leave expires, the member should notify TRS in writing of his or her intent to file a claim for disability benefits. The request should include the member's name, Social Security number, date, and type of disability (in pregnancy cases the due date should be provided). We will send the member the following forms:

- Application for Disability Benefits form
- Supplementary Report form
- Two Physician's Certification of Disability forms - only one form for pregnancy
- Release of Medical Information forms

The Supplementary Report form must be completed by the employer. The Physician's Certification of Disability forms must be based on examinations that occurred within 90 days. It is the member's responsibility to provide his or her physicians with this form. All completed forms must be returned to the TRS Springfield office.

## **Effective date**

Disabled members begin receiving nonoccupational disability benefits and service credit on the **later** of:

- the 31st calendar day that the member has been absent from work due to the disability;
- the day following the last day for which salary (including sick leave pay) is payable, whether or not these days are actually paid; or
- the date TRS receives written notification of the disability if more than 90 days have elapsed from the later of:
  - the day the disability began or
  - the last day for which salary (including sick leave pay) is payable, whether or not these days are actually paid.

When an individual is employed under an agreement for fewer than 12 full months, neither the 31-day requirement nor the sick leave utilization requirement is satisfied during periods not covered by the agreement.

## **Benefit amount**

The nonoccupational disability benefit is equal to 40 percent of the *greater* of the member's contract rate in effect at the time the benefit becomes payable or the contract rate on the date the disability began. For noncontractual teachers, such as substitute teachers, TRS uses an annualized salary rate based on the member's actual earnings to determine the benefit.

On January 1 following the fourth anniversary of the effective date of the nonoccupational disability benefit, the monthly benefit will increase 7 percent. Thereafter, the benefit increases by 3 percent of the current benefit each January 1.

### **Example:**

Applicable salary	\$ 21,300
Benefit percentage	x .40
Annual benefit	\$ 8,520
No. of months per year	÷ 12
Monthly benefit	<u>\$ 710</u>

## **Duration of benefits**

Nonoccupational disability benefits cease if the member:

- resumes teaching,
- engages in or is able to engage in gainful employment,
- is no longer disabled,
- has received benefits for a period equal to one-fourth of the member's service credit,
- requests termination of the benefit, or
- becomes eligible and applies for a disability or age retirement annuity.

If a member resumes employment after receiving a disability benefit and is subsequently disabled for the same cause within 90 days, benefits will be reinstated at the previous rate following the completion of the Application for Disability Benefits form, two Physician's



Certification of Disability forms substantiating the disability, and the Supplementary Report form. Benefits will begin, in this case, the day following the last day the member is paid by his or her employer.

A member may be eligible to transfer from a nonoccupational disability benefit to a disability retirement annuity or an age retirement annuity if the age and service requirements are met. The effective date of the retirement annuity is the first day of the month after we receive the completed Disability Retirement Annuity Application or Age Retirement Annuity Application form.

## **Occupational disability benefits**

### **Eligibility**

No minimum service requirement must be met before a member is eligible to receive occupational disability benefits. However, the member must be working in a TRS-covered position and have been disabled due to a duty-related injury or illness as determined by the Illinois Industrial Commission or the employer's workers' compensation insurance carrier to be eligible for this benefit.

Part-time and substitute teachers are eligible for occupational disability benefits.

### **Application procedures**

To receive a benefit, the member must notify TRS in writing of his or her intent to file a claim for occupational disability benefits and request a Disability Claim Packet. TRS will require verification that the disability was duty-related from the member, the employer, and two state-licensed physicians. Each physician's report must be based on an examination. The disability must have occurred within 90 days of the last day of teaching. In addition, TRS must receive a copy of the adjudication by the Illinois Industrial Commission or the award by the insurance carrier with which the employer has a workers' compensation policy with a finding that the disability was employment-related.

### **Effective date**

Occupational disability benefits begin the *later* of the date:

- following the last day for which salary is paid or
- TRS receives written notification of the disability if more than 90 days have elapsed from the later of:
  - the day the disability began or
  - the last day for which salary was paid.

### **Benefit amount**

The occupational disability benefit is equal to 60 percent of the *greater* of the contract rate in effect at the time the benefit becomes payable or the contract rate on the date the disability began. For noncontractual employees, such as substitute teachers, TRS pays disability benefits based on the greater of the member's most recent annualized salary rate at the time the disability becomes payable or the annualized salary rate at the time the disability began.

The benefit is reduced by any amounts received under the Workers' Compensation Act or the Workers' Occupational Diseases Act. Once workers' compensation benefits expire, TRS will pay the full 60 percent if the member remains eligible for the benefit.

On January 1 following the fourth anniversary of the effective date of the disability benefit, the monthly benefit will increase by 7 percent. Thereafter, the benefit increases by 3 percent of the current benefit each January 1.

***Example:***

Multiply .60 (60 percent) times the member's applicable contract salary rate.

Applicable salary rate	\$ 21,300
	<u>x .60</u>
Annual benefit before reduction	\$ 12,780
	<u>÷ 12</u>
<b>Benefit payable by TRS</b>	<u>\$ 1,065</u>

Reduce this benefit by the amount paid by workers' compensation.

Monthly TRS benefit	\$ 1,065
Benefit paid by workers' compensation	<u>- \$650</u>
<b>Benefit payable by TRS</b>	<u>\$ 415</u>

If the workers' compensation is payable in a one-time lump-sum or partial lump-sum with the remainder paid in weekly or monthly installments, TRS considers the compensation as if it had been paid on a weekly basis. If any of the compensation is paid in one sum, the total sum is used for purposes of determining the amount offset by TRS. The amount is not reduced by legal expenses and will not be applied to medical expenses paid on behalf of or to the member.

**Duration of benefits**

Occupational disability benefits cease when the member

- resumes teaching,
- engages in or is able to engage in gainful employment,
- is no longer disabled,
- requests termination of the benefit, or
- becomes eligible and applies for an age retirement annuity.

TRS requires periodic medical examinations and reports. TRS will notify the member when the medical examination reports are required.

If the disability benefit is discontinued because the member resumes teaching or is otherwise gainfully employed and the member is disabled again due to the same cause within 90 days, the benefit will resume at the previous rate once TRS receives written notification and verification of the disability and the member is no longer receiving salary.

A member may be eligible to transfer from an occupational disability annuity to an age retirement annuity if age and service credit requirements are met. The effective date of the retirement annuity is the first day of the month after TRS receives the Age Retirement Annuity Application form. See Chapter 11, Retirement Benefits, for the eligibility requirements for an age retirement annuity.



## Disability retirement annuity

### Eligibility

A member who remains disabled after the nonoccupational disability benefit eligibility period has expired is eligible for either a disability retirement annuity or an age retirement annuity (if the age and service credit requirements are met). A member may switch to either a disability retirement annuity or an age retirement annuity (if the requirements are met) at any time while receiving a nonoccupational disability benefit. See Chapter 11, Retirement Benefits, for information about an age retirement annuity.

### Application procedures

When the eligibility period for nonoccupational disability benefits is due to expire, TRS will notify the member. Before the benefit expires, the member may either send TRS a letter or call TRS to request a transfer to a disability retirement annuity or an age retirement annuity.

### Effective date

The disability retirement annuity is effective:

- the day following the last day for which nonoccupational disability benefits are payable or
- the first of the month after TRS receives a completed Disability Retirement Annuity Application form.

### Benefit amount

The disability retirement annuity is the *greater* of:

- 35 percent of the greater of the member's last annual contract salary (including extra duties) or the annual contract rate on the date the disability began (TRS uses an annualized salary rate based on actual earnings for noncontractual teachers),
- the amount computed by the retirement formula reduced by 0.50 percent for each month the member is under age 55, or
- the amount computed by the retirement formula with no reduction if the member is age 55 or older with 20 years of service credit.

The initial benefit will be increased by the amount of any annual increases that the member has been granted while he or she was receiving a nonoccupational disability benefit.

Use the steps illustrated in the following example to estimate a disability retirement annuity:

#### ***Example:***

**Step 1** Multiply the applicable salary rate times .35 (35 percent).

Salary rate	\$ 21,300.00
	x .35
Annual benefit	\$ 7,455.00
	÷ 12
<b>Monthly benefit</b>	<b>\$621.25</b>

**Step 2** Complete the nondiscounted retirement annuity calculation as described in Chapter 11, Retirement Benefits. Go to Step 5 if the member is age 55 or older with 20 years of service credit.

Assume the retirement annuity calculated is \$11,209.85 annually, \$934.15 monthly.

**Step 3** If the member is less than age 55, find his or her exact age as described in Chapter 11, Retirement Benefits. Subtract the exact age from 55.000. Multiply the result by .06 and subtract from 1 to obtain the age discount factor.

Assume the member's exact age is 53.241. Subtract from 55:

	55.000
Exact age	- 53.241
	1.759
Multiply the result by .06:	x .06
	.105540
<b>Age discount factor</b>	<u>.894460</u>

**Step 4** Multiply the age discount factor times the amount of the retirement annuity.

Annual nondiscounted retirement annuity	\$11,209.85
Age discount factor	x .894460
Annual discounted annuity	\$10,026.76
	÷ 12
<b>Monthly annuity</b>	<u>\$ 835.56</u>

**Step 5** To the greater of the amounts calculated in Step 1 and Step 2 or 4, add any annual increases while in receipt of a disability benefit immediately preceding disability retirement. This will be the disability retirement annuity.

In this example, for the member age 55 with 20 or more years of service, the greater amount is \$934.15 from Step 2. The greater amount is \$835.56 from Step 4 for the member age 53.241 years.

### **Duration of benefits**

The disability retirement annuity will continue until

- the disability ceases,
- the member resume teaching, or
- the member is eligible and applies for an age retirement annuity.

If the member resumes teaching after receiving a disability retirement annuity and is disabled again for the same cause within 90 days, the benefit will be reinstated at the previous rate after TRS receives a completed Disability Benefit Application form and required medical documentation. In this case, benefits will begin the day following the last day for which the member was paid by the employer.

### **Employment restrictions**

While receiving a disability retirement annuity, the member may not be employed by a TRS-covered employer or by any other public or private school, college, or university in a teaching position. However, gainful employment in any area other than teaching is permitted. The combined income from the disability retirement annuity and the earnings from the nonteaching



occupation cannot exceed the salary rate upon which the annuity was based. If the member has earnings above this limit, the disability retirement annuity may be reduced or suspended. After the member has been receiving a disability retirement annuity for 10 years, the salary rate for purposes of this calculation will increase 15 percent.

**Example:**

Last contract salary ÷ 12	\$ 1,775.00	
Monthly disability retirement annuity	- 546.70	
Amount member may earn without suspension or reduction of annuity	<u>\$1,228.30</u>	per month

If the annuitant has been receiving the annuity for more than 10 years, the monthly salary rate used in the calculation increases 15 percent.

Last contract salary ÷ 12	\$ 1,775.00	
15 percent increase	x 1.15	
	\$ 2,041.25	
Current monthly disability retirement annuity	- 698.75	
Amount member may earn without suspension or reduction of annuity	<u>\$ 1,342.50</u>	per month

If an annuitant has gross earnings in excess of the allowable amount, but less than his or her previous salary, the annuity is reduced \$1 for each dollar earned in excess of the allowable amount. If an annuitant earns a greater income in his or her new profession, occupation or business than was last earned as a teacher, the annuity is reduced to zero.

### **Annual increases**

The disability retirement annuity will increase annually beginning the *earlier* of the January 1 following:

- the fourth anniversary of the date the disability benefit was granted, or
- the date the member turns age 61 or the first anniversary in retirement, whichever is later.

If the first annual increase follows the fourth anniversary of the date the disability benefit was granted, the increase will be 7 percent of the current annuity. The first annual increase is due to the attainment of age 61 or the first anniversary in retirement. After the initial increase, the annuity will increase by 3 percent of the current benefit each January 1.

### **Taxability of disability benefits**

Members who are receiving nonoccupational disability benefits must report disability benefits as taxable income for federal income tax purposes. Occupational disability benefits may be excluded from gross income.

Those who are under age 65 and retired on a permanent and total disability as defined by the Internal Revenue Service may be eligible to take the federal tax credit for the elderly or the disabled. IRS Publication 907, *Tax Highlights for Persons with Disabilities*, and Publication 524, *Credit for the Elderly or the Disabled*, elaborate on this tax credit and other information.